

FISCAL NOTE

Bill #: SB0072

Title: Fee for child support enforcement from non-public assistance obligees

Primary Sponsor: Cobb, J

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
State Special Revenue	\$33,726	\$0
Federal Special Revenue	\$65,469	\$0
Revenue:		
State Special Revenue	\$711,838	\$854,010
Net Impact on General Fund Balance:	\$0	\$0

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|--|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The Department of Public Health and Human Services, Child Support Enforcement Division (CSED) (PGM 05) will use the same method for recovery of costs previously approved by the Federal Office of Child Support Enforcement in 1998.
2. This Bill requires that the fee be collected from the obligee parent and be paid monthly into the CSED special revenue fund; 66 percent of all fees must be returned to the federal government.
3. Because of the time required for programming, rule enactment, notice and federal approval, there will be approximately a three-month period of time before fee revenue will be generated. Implementation is expected in August 2003.
4. Estimated fee collection is 10 percent or \$7.00 per warrant, whichever is smaller.
5. CSED will realize an overall collection rate of 80 percent of the \$7.00 maximum fee. This is due to the number of checks less than \$70.00.
6. In FY 2002, 387,462 warrants were issued. Assuming a 5 percent growth in warrants, it is estimated FY 2004 will have 427,176 warrants issued and FY 2005 will have 448,535 warrants issued.
7. Total fee collection is estimated to be:

Fiscal Note Request SB0072, As Introduced

(continued)

FY 2004 $427,176 \times \$7.00 \times 80 \text{ percent} = \$2,392,185$
 State share = $34 \text{ percent} \times \$2,392,185 \div 12 \text{ months} \times 11 \text{ months} = \underline{\$745,564}$
 FY 2005 $448,535 \times \$7.00 \times 80 \text{ percent} = \$2,511,796$
 State Share = $34 \text{ percent} \times \$2,511,796 = \underline{\$854,010}$

8. The state share of collections will be deposited to the state special revenue account and utilized for the operational costs of the Child Support Enforcement Division.
9. The executive budget assumes this bill will be implemented.
10. One-time operational cost estimates for expenses are based on the 1998 fee implementation procedures plus inflation. These costs consist of a study by the University of Montana for \$4,000, legal fees of \$73,937, mass mailing of \$20,158 and increased phone charges of \$1,100. These one-time operational costs will be paid at the current rate of 34 percent state special revenue and 66 percent federal funds.

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$99,195	\$0
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$33,726	\$0
Federal Special Revenue (03)	<u>65,469</u>	<u>0</u>
TOTAL	\$99,195	\$0
<u>Revenues:</u>		
State Special Revenue (02)	\$745,564	\$854,010
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02)	\$711,838	\$854,010

TECHNICAL NOTES:

1. Federal regulation 45 CFS 304.50 stipulate that fees may be used only to offset state and federal costs to operate the child support enforcement program. The amount of the fees available to the CSED is limited to the 34 percent the state originally contributed.
2. Rulemaking will be necessary to implement the fees. This process will take 3-4 months, depending on the amount of public comment received. Implementation is estimated to be August 2003.
3. When fees were previously charged, actions before the Human Rights Commission, state district court and federal court were pursued against the CSED. As part of the settlement of the federal case the plaintiffs reserved the right to pursue claims against the state in state district court relative to the handling fee issue. In addition to the possible reactivation of the handling fee complaint by that case, the CSED might expect litigation from additional obligees. Based on this past experience, \$73,937 is included for attorney fees.